COMMONWEALTH OF VIRGINIA

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VIRGINIA HOUSING COMMISSION

SUMMARY

Virginia Housing Commission
September 21, 2016, 10:00 AM
House Room C, General Assembly Building

I. Call to Order

Delegate Danny Marshall, *Chair,* called the meeting to order at 2:00 PM.

Members in attendance: Delegate Daniel W. Marshall, III, *Chair*; Senator Mamie E. Locke, *Vice-chair*; Senator George L. Barker; Delegate David L. Bulova; Delegate Betsy B. Carr; Delegate Barry D. Knight; Delegate Christopher K. Peace; Mark K. Flynn, *Governor Appointee;* and Laura D. Lafayette, *Governor Appointee.*

Staff: Elizabeth Palen, *Executive Director of VHC*

I. Welcome

- **Delegate Danny Marshall**, *Chair:* We thank all of you in the audience for being here this morning. We start off with someone who absolutely needs no introduction. He's here before us at least several times a year. So, Mr. Shelton, welcome, and we turn it over to you, sir.

II. Virginia Housing Economic Impact Study

- **Introduction and Scope: Bill Shelton,** *Director, DHCD*: Thank you, Mr. Chairman. Bill Shelton, Department of Housing and Community Development.
  - Just a brief introduction because we're introducing a subject that we've reported to you on before. I think you're aware that about 18 months ago, the Governor issued an executive order creating a Housing Policy Advisory Council, and we've updated you a couple of times. So what we're doing today is just giving you another update as the product now rolls out. And you'll hear that presentation here in a few minutes.

- Just to refresh your memory, the theme of this policy work group has been looking at ways—we're looking across a broader spectrum of housing issues, but focused primarily on how housing intersects with the economic development of the Commonwealth. And so looking at aspects of how housing is part of the economic stream, but also how the availability of housing affects economics and other things that go on in our communities. And so we're moving toward doing that. And there is an advisory council made up of a number of folks that are working on it.

- The study that's being done was commissioned by the Housing Policy Advisory Council. We found a great collaboration, four fine Virginia institutions of higher education that are working on this: Virginia Tech, George Mason, VCU, and William & Mary. They put the proposal together to collaborate on this, and they've been working together. You'll hear more about that in a few seconds.

- One of the first charges was, again, to assess that impact of the housing industry on the Commonwealth. And part of that premise was that, coming out of the recession, we know we have not rebounded as fast. There are lots of reasons. There are lots of things that have been looked at. But what you'll hear about today is the relative magnitude of housing as part of the overall economy of the Commonwealth and some demonstration of how it affects overall regional economic vitality, which will come in further iterations of this report as it goes forward.

- This coalition of researchers actually has it divided into what I say are two phases. Today you're going to hear the results of Phase 1 and an update on Phase 2, which will come out next spring, early summer. Phase 1 is that economic impact study. Phase 2 is how housing intersects with a number of key sectorial areas. With no particular ranking of importance, we were looking at transportation; workforce; revitalization of communities and how they develop; intersection between housing and health. We know there are some housing conditions which affect health. And perhaps one that has received a lot of attention was the intersection between housing and education, the concentrations of poverty, substandard housing conditions and the correlation with underperforming schools. We're long on the *need* side of that and haven't figured out the *solution* side, but we're looking at trying to figure out how can we respond and actually get more synergies between where the Commonwealth invests resources on a variety of these areas. An alignment, I think, is what we're trying to move toward.

- The HPAC topics, in addition to commission of the study, there are two key work groups that have been meeting and will continue to meet. One is that intersection between housing and education, which they wanted to talk about. This linkage between underperforming schools and housing. They're going to have a lot of similarities because what has risen up in that discussion is the concentrational poverty issue seems to align and correlate pretty closely with the underperforming schools. And so best strategy is the look at that, then flow into that second area, which is looking at how housing intersects with economic stability and economic opportunity.

- So the kinds of things that get talked about are if concentrational poverty is the observed correlation, what could you really do about it, if anything? There are some tough questions to answer there. But the idea that you might invest in different ways to disperse lower-income housing, that you might have more mixed income, that you have more vibrant communities with services, and create better quality of life and neighborhoods then leads to the vitalization. There are some things I think that are built in implicitly to state policy: How you invest, where you fund, that might be thought about. So we don’t have solutions yet, but they’re being talked about. And there will be recommendations coming out of the housing policy work group.

- What you’re going to hear about today, first, are the results of the economic impact study. It was released by the Governor by press release on September 2. You’ll hear the results of the study and look a little bit at what the implications are for Virginia. We’re very pleased today to have two presenters who have been working with us very closely. Terry Clower, who is with the George Mason Institute on Economic Research, will basically be giving the update on the economic impact study. And then you’ll hear from Mel Jones from Virginia Tech, who’s going to give you an overview of the work in progress relative to the other areas of the study that will come out more fully next year.

- I’ll be happy to answer questions, but I recommend that maybe we hear from our two researchers and then maybe do it all at one time, Mr. Chairman, if that’s all right.

* **Presentation of Study: Terry Clower**, *Director, Center for Regional Analysis, George Mason University*: Thank you very much. I appreciate the opportunity to talk to you folks this morning. My name is Terry Clower. I’m the director of the Center for Regional Analysis at George Mason University.

  - What we want to do today is quickly—in your package you have the slides—go through what we did, our findings, how we conducted the analysis, and then answer any questions you might have.

  - As suggested by Mr. Shelton, this is a part of an overall broader study. This is component 1, which is just starting out with this initial look and to see how important, from an economic perspective, the housing industry is in the state of Virginia and doing it by measuring some numbers. When we understand the importance, we talk about revenues, we talk about numbers of jobs, those kinds of things.

  - What we are looking at in terms of the industry—and I’ll get into some details in a minute—are single-family, multifamily residential properties, both new construction, the services that go into that—architectural services, plumbing services, real estate services, brokers, agents, financing services, household services to a certain extent. And then we're going to finish up. Just to give it a sense, we did some comparisons with other major industries in the state.

- A little bit of a primer—please, I'm not going to spend but just a moment on this—is what do we do with impact analysis. You've heard the phrase *supply chains*. And what you're doing is looking at the value of spending in an industry and how it winds up flowing through the rest of the economy. So we're thinking about if you're building houses, for example, what all goes into it. Certainly there's the labor component, there's the materials that you think about, there's consumption of energy. There is equipment that you rent or purchase to do it. And then of course a whole host of services, anywhere from transportation services—all of it combined. So you look at that spending, how it flows through the supply chain.

- And then also to capture an important piece of it that is the jobs that are created out of that and the income you created. So, if you have somebody who gets a job building a house, they go out and they spend money in the rest of the economy for goods and services. Importantly, they pay taxes. We want them to do that. And so we're actually capturing how all of that flows together.

- We wind up capturing, as I suggested, that direct effect, which is what the industry is spending, the indirect as the supply chain, and then the induced. But the importance of why I have a separate slide is that very last line that when you're doing this across multiple sectors at the same time, you want to be cautious that you don't wind up double counting. For example, the carpenter who is building the framing of the house is actually a consumer of housing themselves. So, in the modeling, you have to adjust out things where you would potentially double count the same spending because you get on both sides.

- This is an appropriately conservative way of doing an economic impact assessment. Always, if you look at an impact study, you want to make sure when there are multiple sectors involved that these kinds of adjustments are made.

- When we're doing the measurement, we're looking at four pieces of information. They are all kind of part of the same thing. The first is output. Output is simply a measure of business transaction, the value of sales, straight up. Employment is exactly that, but it is head-count employment. So, in restaurants, it's not a full-time equivalent number; it is a head-count job. Labor income is salaries, wages, benefits. Value added is equivalent to gross state product, which is that what do you add in? So it's proprietor's income, it's property income, it's operating surplus, and other issues. And of course the taxes get included in that.

- In doing this analysis, what do we count in terms of the industry? From construction, single-family, multifamily, manufactured housing, and of course remodeling. When I moved to Virginia two years ago, I had this shock coming from Texas about how much I was paying for housing in Northern Virginia to begin with. And then we arrived, and what was the first thing we do? I was told that we would be remodeling some things. And of course I was also told that the furniture that we had just paid to move up was going to have to be replaced because it didn't fit any longer. That's one of the reasons housing is a very important part of the economy. It generates lots and lots of spending.

- On the finance side, we're talking about loan brokers, lenders. And don't worry about it, I know that there are not a lot of things called *savings banks* anymore, but we still label them as such in our industry categories. Loan servicing. Since Freddie Mac is here, we include Freddie Mac. But we're only including a relative portion of that entity. Sales brokerage, residential property management, apartment rentals, insurance.

- Within any of this, though, if you think about some of these industries, they service both in terms of residential and maybe industrial or commercial sectors. We've gone through and made adjustments based on either talking to industries or using data sources to say Out of all of the loans that are done, what portion of those are actually really residential loans? We're not talking about loans to businesses or auto loans or those kinds of things. For each of these industries, we've made those adjustments. And if you have questions about any one in particular, I can tell you what we did and how we did that.

- We also include some legal services, both in terms of you think that most title company stuff done is done now by lawyers or through law firms and support for real estate transactions. We were able to identify a piece of that. It's not a real big piece. For example in this one, based on industry surveys, we were able to determine that for non-title company types of legal services, about 2.3 percent of their total business is delivering services for residential purchase support. So we made that kind of adjustment.

- Retail, home centers. Within the home center, we counted only that part of the business that is supporting DIY because, again, we would have counted the sales to a building contractor or to a homebuilder actually in that segment of the economy. So, it would have already been counted there.

- Home furnishing, appliances. We also counted some non-governmental agencies such as VHDA. Homeowners associations, they have businesses themselves. They employ people. Keep in mind that we did not include government entities, specifically, as producers of employment for this analysis.

- And then a whole host of services. I won't go into them individually, but think about all the stuff that we consume in our households. And, again, making those adjustments. For landscaping, it wasn't landscaping at commercial buildings; it was landscaping at residential properties. Junk removal. And even a little bit, which is not a huge one anymore, but domestic staff. We're talking about maids and gardeners, that type of thing.

- o We tried to be pretty comprehensive about doing that while being conservative in our approach. Now, let's get to some numbers.

- o The economists love to say a billion here, a billion there, and pretty soon you're talking about some real money. Well, we're talking about almost $48 billion in economic impact in the state in the year 2015. Obviously, we're still in 2016, so we don't have full-year data. That equates to about a $23 billion contribution to gross state product. Over $14 billion in labor income. And over 300,000 jobs. For us in the Commonwealth of Virginia, we obviously need to create jobs. Yes, sir.

- **Marshall:** If I looked at the total output of that $47.8 billion, what percent of the total gross product for the state of Virginia is this? Did you look at that?

- **Clower:** I did not look at the total in that way. But what I did do here in a little bit is I compared the direct output against some other industries if you what to look at it as that piece of it, overall. Again, for any one industry, we'd never expect any given industry to represent a huge percentage, but it is an important industry the way it's broken out. And we can talk about that in just a minute. And, of course, importantly from our modeling, we're saying that in terms of state and local revenues for taxing jurisdiction, about $1.6 billion. Not everything that we're bringing in, but certainly important sources of revenue.

  - o So let's think about this. To avoid the stuff about the cross-flow between different industries, just looking at the direct output, How does this compare to some of our other big sectors? I'm not going to surprise anybody here. I guess we'll call it our stunning fact of the day, which is that federal spending is still number one: about $100 billion a year. Healthcare is number two. It's something around $44 billion a year. We look at these other pieces: resale, wholesale, some non-residential construction. Non-residential construction is all the stuff that we're doing with highways, we're doing with industrial buildings, office buildings. All of that is important. But housing is running at about position number six in terms of importance. Yes, sir.

- **Marshall:** On the previous slide, you showed the output was [$]47.8 billion, and on this slide it's [$]28.1 [billion].

- **Clower:** Right. That is that difference that is the direct output only. So the difference that you have here, if you think about it, What is the multiplier? You've heard of economic multipliers. So the number where we get the $47.8 [billion] is direct/indirect effects, the supply chain effects, and induced combined. Whereas this is just looking at the direct.

- **Marshall:** Thank you. Yes.

- **Male:** Thank you very much. In terms of multipliers, I know that if you invest in certain areas of the economy, you're going to have different multipliers. How is the multiplier for housing compared to other multipliers you have for the other big industries up there?

- **Clower:** If we were to look broadly at multipliers, this is coming in roughly at somewhere in the neighborhood of about 1.7. I'm kind of guessing; I didn't calculate it. But just doing my mental calculation, 1.7, 1.8. That falls into something of what I would expect a little bit less maybe than some manufacturing operations. Certainly probably more than what you would expect out of wholesale trade or retail trade in terms of contribution in that sense. There are certain federal procurement activities that are actually very valuable. And you get some wide extremes. But it would fall pretty much right there in the middle of all industries and maybe just a little toward the high side.

- **Marshall:** To follow up on that, what segment would be the highest and what is the highest multiplier?

- **Clower:** Within housing?

- **Marshall:** Well, no sir, in all of these.

- **Clower:** Oh, between all of these? If you promise not to record it and publish it later, I would tell you that my best guess is that defense spending in the highest in terms of multiplier. Health care services is actually pretty strong usually, but wouldn't be too much higher than what we're talking about. The construction stuff, whether it's the housing industry or non-residential, it would probably be up there. Wholesale and retail would be lower in terms of output multipliers. Transportation and warehousing is probably a little bit lower, quite frankly. Food, beverage, and product manufacturing, just in the food segment, probably about the same.

- **Marshall:** Someone who lives in a tobacco region, it's surprising that it's still even on the page.

- **Clower:** Any time that you have one of your key agricultural sectors that are popping into your top industries, I consider that both good news and news maybe to work on. Keep in mind, I was conglomerating a lot of different, very broad industries in this. But it would also tell us that we want to see more manufacturing in this state. But you know that.

- **Marshall:** Yes. Thank you.

- **Clower:** Other questions?

- **Marshall:** Thank you very much and of course there is—oh, I'm sorry. Yes sir, Delegate.

- **Delegate David Bulova:** Thank you very much. That was a very good presentation. This might be a really tough one to answer. And if you can't, just say so. I think with almost any of those up there, in addition to direct or indirect output, you're also going to have some negative externalities that are associated with them that are actually costs. For instance, while it's not a big problem now because you're starting to see migration into the cities, housing, of course, is a factor of new people moving in and then people who are shifting from maybe more dense areas to less dense areas, in which case you have stranded infrastructure. So you have underutilized schools, underutilized roads. Did you try to look at any of those factors in here in terms of a net output as opposed to just a direct output?

- **Clower:** No, we did not. This is an economic impact analysis. If we were to think of it in terms of a cost benefit type of analysis, you'd be focusing probably pretty much just, say, on the revenue side for government revenue. But always keep in mind that sometimes what you wind up having is that opportunities get created, of what can look like a negative for a short period time can actually become your positive. So can you take these areas that are depressed and use them as a place that can be reinvigorated, gentrified, whatever phase you want to use? I like to think of the economy, particularly within the strengths that we have in the Commonwealth, that with most of our challenges, there are some ways forward.
    - If you'll just bear with me for a second. I was in the southwest last weekend. One of the things that you think about is that, Okay, there is no doubt with the struggles with coal—and some of its regulatory and a lot of it is just that natural gas is as cheap as can be. But one of their key advantages is the electric utility infrastructure that they have because of serving coal. And, of course, they've invested tobacco money into getting into the high-speed broadband network. So you're thinking about a safe place to put a data center and perhaps the most reliable electric power sources in the state because of the duplicated systems that are available in the southwest. So anytime you look at a negative, even if we're looking at housing, these present some opportunities for us to restructure and grow into the modern economy.

- **Bulova:** Thank you.

- **Marshall:** Following up on that slide that's on there now, it shows [$]20.1 billion in '15. The homebuilding world changed in about '07, '08, so the number of new starts in Virginia took this giant slide down. So do you have data showing what it would have been at like '06, '05, '04? That [$]28.1 billion—and of course inflation rates should have raised that a little bit since '07, '08. Things cost more. But do you have any data showing what it before the '08 recession?

- **Clower:** It's not included in this scope of work. But certainly there are data that we could go back and look at. We could look at it in an inflation-adjusted basis. For some of the industry breakdowns, I don't know if I'd find specific historic data about how it's separated out. But you could make some assumptions about how the structure of industry didn't change. But certainly there are data available the way we did this analysis that we could go back and look at that.

- **Marshall:** If you could do that and send it to Elizabeth, she could send it to us.
    - The other thing is what we've talked about here in this group is—if you look at interest rates on mortgages—I had a mortgage rate one time that was eight percent, and I thought I got a good deal. And now it's half that or less. So, evidently, the interest rate is not driving people to buy housing. Did you look at that at all? Why housing is not moving? Or are you just looking at the direct impact?

- **Clower:** No. This is just the numbers here. There will be other elements of what you're discussing or actually would be included as part of the broader analysis that will be coming out. It may be well into the spring by the time it's all done. I would tell you that certainly interest rates are not a barrier for doing it. But just because you can afford it doesn't mean that a loan officer is going to grant you a mortgage at this point.
    - And of course we have the psychological effect that we've been noticing, the increase of people who are renters by preference. Maybe they got burned in the downturn, and they're just not interested in owning a house again. That's a phenomenon we're seeing. And the differences of preferences in intergenerational difference. We've seen plenty of evidence that millennials are purchasing maybe a little differently than the previous generation.

- **Marshall:** And I saw, I guess it was in August that the report came out, that homeownership is at an all-time low, nationwide.

- **Clower:** I do now know about the "all-time," but it certainly has taken a dip after that. We went from about 63, 64 percent before we did the subprime lending. And when we got to subprime lending, we went up to as high as maybe close to 70 percent. And then after the bust, it's dropped back down. We have a long-run average of being a little above 60 percent. Maybe that's a market norm for us.

- **Marshall:** Hopefully not. One other request is that when you get that new data, if you could let Elizabeth know so we can invite you back.

- **Clower:** Let me be clear. We'll have to discuss with Mr. Shelton and others about the resources needed to do that additional analysis.

- **Marshall:** He's got plenty of money.

- **Clower:** Oh, does he? I am so glad to hear that, and I'll remind him of that.

- **Marshall:** Let's see if we have another question. Senator Stanley.

- **Senator William Stanley:** Mr. Chairman, thank you. Sir, I love to see that this industry is the sixth most important in leading the way. But I think you'd admit that our housing starts are down. There was a lot of new building that was going in Franklin County where I live that has kind of tailed off in a major way at Smith

Mountain Lake. We've seen a lot of developers go into other industries. We've seen a lot of carpenters being laid off.

- I like the numbers, but what can we do as a legislature to stimulate that industry? I've always learned and understood that housing leads the way to a good economy. And it is because whether the guy who makes the nail or drives the nail in, puts in the HVAC, frames the house, the real estate agent, the person that buys the house—what can we do as a legislature that is going to make this move from six to three?

- Just by way of example, I had a bill in that said if you buy housing materials those will be taxed—you won't have a sales tax. But somehow just trying to encourage remodels and new home construction and to give that industry a boost. What can we do and what piece of legislation is going to make this industry increase and put more people in houses?

- **Clower:** I appreciate the opportunity to address that. One of the things that I would do is kind of two pieces as one when we're finished with the broader state. Much of what we're doing in this study, overall, is looking at the connection between housing and economic development. How does housing relate to our ability to grow our economy? As we move forward, there are going to be some potential things emerge out of it that will help for the formulation of legislation.

  - I won't speak to the impossible. There are many different aspects of housing that we have to address. We do have folks in our communities who are under-housed in terms of the quality of housing. Is it a solution of having more money in the housing trust fund to help those and to build where the economics aren't quite supporting it? Housing also helps drive the economy, but housing is driven by the economy. For example, if we are successful with our Go Virginia initiative, and we get better at doing economic development and attracting growth to this region and growing our businesses, then that will fix some of it.

  - What we have seen in Northern Virginia, of course, with the housing market is that construction is going on again. There's a lot of construction happening, particularly in terms of multifamily. There are deliveries in multifamily units in that region that are kind of breaking records. Yet our vacancy rates are staying pretty stable. The economy up there is starting to move. We need that growth and that success to spread to other parts of the state.

- **Stanley:** I saw an earlier slide in the pre-presentation that said we need to make sure that we are creating more access to affordable rental housing or affordable housing in workforce areas. I know it wasn't on your slide; it was the gentleman before you. But how do we do that?

  - What I'm seeing, even down in my area, which is of course Southside Virginia, is that we're seeing a lot more rentals, higher rentals. Danville has done an amazing job in converting some of our tobacco warehouses into really nice loft apartments. But those aren't always cheap. And so what I'm seeing also, too, as you mentioned earlier, a lot of the millennials are not buying; they're preferring to rent. That desire to purchase a home, which was always our desire, part of the American dream to own your own home, is kind of waning.

  - One, How, as a government, can we ensure access to affordable housing in workforce areas? And two, How do you change the trend, especially when banks have tightened down on lending? How do we encourage that new generation, as a government, or can we, to start investing in long-term mortgages and buying a home which is more permanent than a rental place?

- **Clower:** I think these are excellent questions and feed into some of the key research questions that we're addressing in other parts of this project. We have this team that's made up of these other universities that are studying, in part, some of these issues. I've been very impressed.

  - I was in Danville mid-August. Just what they've done with the restructuring. Southside has an issue as much as anything about when they're working on business attraction. It's not even affordable housing in that perspective. It's the quality of housing you have for the executives or middle management folks who are coming in that are looking for certain types of housing, too. But these are issues that we're actually going to address more broadly in the rest of the study.

  - I certainly have my thoughts on some of those issues, but I think I'll hold off on that and let us present you with the findings of the research, which can come to it with information that you guys can think of in terms of a legislative agenda.

- **Stanley:** My questions are How do we as a government solve some of these issues that you're talking about? You're going to tell us at a later date. Before the next General Assembly session?

- **Clower:** Well, I don't want to steal the thunder of my colleagues at the other universities who are going to be studying some of these key issues. That's not to make light of the challenges, because I don't know that we have every answer because we're struggling with this. In my region where George Mason is located, we have a severe problem with housing affordability. I have been told in recent months that there are economic development deals that we have lost because the company said, "I can't pay my employees enough to afford housing in your community." Now what I hope is that they found another place in Virginia to go to and didn't go to North Carolina or some other place.

- **Stanley:** They can come to Danville. We have affordable housing.

- **Clower:** Exactly! And you have the great broadband network, too.

- **Stanley:** In Martinsville, you can get a 5,000-square-foot house for $200,000. And they're nice. From the old industries.

- We’re seeing not a large availability of rental. I think the price of rentals has been driven up because of the desire for them and the lack of really that kind of product in the marketplace. Wouldn’t you agree?

- **Clower:** I would. The data that I’ve seen suggests that it’s actually coming from two directions. You have the younger people who, because of school debt or they’re not making as much money coming out of school as maybe previous generations did, whatever the reason, they’re not entering into the ownership market as early. But then you also have baby boomers increasingly who are bailing on the ownership and moving into rentals. Part of it is convenience. If you’re renting a unit, you no longer have to deal with the housing maintenance. I have a sneaking suspicion some of them are downsizing to places so that their kids can’t move in with them. So there’s a little bit of that factor going on. What we’re actually seeing in the demand for rental is that it’s kind of coming from both directions from an age perspective.

- **Stanley:** I think you’d have to not have a couch to keep your kids out. So then the rising cost of rental properties are going to keep the kids in our basements until they’re 30.

    - I am concerned about one, in poverty areas, in breaking the cycle of poverty, the quality of housing that we have—I mean, if you can afford a place for 500 bucks, that’s where you’re going to end up, or in a single-wide trailer in our area.

    - If it’s a nice apartment, normally it might go for [$]575, it’s going to drive that demand up to [$]800, [$]900 because so many people want it. And you’re going to keep that part of the marketplace, or those people that might participate in that part of the marketplace, out by virtue of demand.

    - When we talk about trying to find affordable housing for those at the poverty level that is good housing, that is safe housing, the market itself just seems to want to prevent that.

- **Clower:** I don’t know if it’s a matter of prevent, but there are certainly constraints on it. And certainly there are many issues that affect the pricing of housing that we have.

- **Stanley:** Sir, thank you for being here today and thanks for the conversation back and forth. And Bill, do you want to introduce our next speaker?

- **Shelton:** Well, those are great questions, Senator Stanley. I think that we are looking at that. The second part of this study is looking at both how it intersects with a variety of the different community systems, but also what are some best practices in areas where we should be putting emphasis. We don’t have the final result of that, but I think we’re going to give you a snapshot today of some of the early stage work that’s being done. We have with us Mel Jones from Virginia Tech, the Housing Research Center. Mel, would you please come up and update us on what you’re doing?

- **Mel Jones**, *Virginia Center for Housing Research at Virginia Tech*: I'm going to introduce to you the second half of the Virginia Housing and Economic Development Study, again recognizing that there are four universities, more than 10 faculty members participating in this study. Virginia Tech is leading the study and then participating are George Mason, VCU, and the Business School at William & Mary.

    - You just heard about the first part of the study, the housing economic impact analysis. Now, we are deep in the housing supply-and-demand analysis. We're taking a look at the existing stock; market dynamics, many of which you guys have already brought up; housing production, looking at the trajectory of the housing industry, what influences it, how it is performing, and how we expect it to perform in the future; housing affordability; and workforce demand in that context. also. And then finally we cannot consider housing without thinking about transportation and the location of housing. As one of you mentioned, the opportunities that housing presents for revitalization and redevelopment. And then finally, looking at the connection between housing and health and housing and education, especially as it impacts our further workforce.

    - The third and final part of the study is looking into the future of the industry and market scenarios. We'll be doing a baseline as if everything were to stay the same as it is today, we'll project that out to 2030. But then we'll also draw key themes from other parts of the study, thinking about how if certain parts of the industry or parts of the economy change how the housing industry might look in 2030.

    - Just to help you wrap your head around housing and economic development, I've given you some sample hypotheses that some of our faculty members are working on. Availability and affordability of housing and transportation are limiting factors for workforce attraction and retention. Again, this is thinking about providing the housing the companies need in order to hire and retain the employees that they need and/or locate in Virginia.

    - We're looking at housing production costs, land costs, and other associated costs that are threatening the market's ability to supply enough affordable housing and the idea that wages may not be keeping up with housing costs. Housing is a key component of revitalization and redevelopment, and in some areas of Virginia it's really the centerpiece of revitalization and redevelopment efforts both in municipalities and neighborhoods. And then, finally, we have the impact of housing on health and education outcomes, thinking especially about children in this context and the future workforce.

    - And again, just a note. These are hypotheses, so we are thinking about whether or not these are true or not.

    - I'm going to be using housing costs and incomes as a platform to discuss some of the preliminary findings from our work, as well as what we're going after at this moment. I'll note that we spent the summer talking to folks all over Virginia, starting with the planning district commission directors and housing directors for housing authorities as a gateway. And then we talked to up to three people that they referred us to in their region to try to understand what these numbers mean in a region. Although we have broad numbers for each region and for each municipality, sometimes the underlying context of these numbers differs quite differently throughout the state.

  - So, what you're looking at is percent change in real median incomes, inflation adjusted, and real housing costs. The bottom line in this context represents the growth in median household income, which you can see follows the dynamic of the housing bubble and the recession. So, 2005, that's our base year. After 2005, you see incomes and housing costs rise all the way through the height of the bubble. And then as you see, the bubble burst, and you can see the incomes begin to fall. And housing costs incurred by residents maintained for a little while, but then also began to fall.

  - The rents you guys were discussing earlier increased because in the aftermath of the recession what you're seeing there are folks either switching from ownership to renting or choosing not to begin owning. You see an effect of supply and demand there, essentially increasing rent costs.

  - As folks have made that switch and folks who chose not to make that switch enjoyed some great financing, refinancing options. You see the costs among owners decrease.

- **Marshall:** To Senator Stanley's question a few minutes ago, if I look at that red bar there, that is the rent?

- **Jones:** Yes, median rent. Change in median rent.

- **Marshall:** And so it peaked at about 11 and then it started coming down. Why?

- **Jones:** Why? Again, partially because of availability, partially because people are—as you know, the multifamily sector has been really the core of new housing development, in part because of financing and part because of demand. Really, you're seeing an influx of rental options throughout the state. And then you're also seeing folks moving back into home ownership as it becomes more affordable.

- **Marshall:** Okay.

- **Stanley:** Mr. Chair, follow-up question on that. If you are having a change in the mix of rental properties that are available—partially the result of the multifamily and that type of thing—and you have a situation where the average rent for a particular piece of property or a set of properties, whether it's single-family houses or townhouses or whatever is going up slightly, but the average being paid in rent is going down because it's a shift more towards the multifamily and those types of things, does that show up on this curve as going up or going down?

- **Jones;** I think that I'm understanding what you're saying. You have some single-family properties also transitioning into rental options. Is that what you want me to address?

- **Stanley:** No. What I want you to address is if the rents for each property are going up, say two percent, but the average rent that all people renting are paying is going down because the properties that are available for rent are more at the lower end. Is that showing up on your graph as a positive or a negative?

- **Jones:** It would show as a negative. This is median, which can be interpreted similarly to average. But it is shown as more stable because average can be highly impacted by extreme lows, which you're referring to, or extreme highs. Since this is the median, it's smack in the middle, but still influenced by that overall transition.

    - So what you're seeing is sustained higher rents and lowering ownership costs. Some good news in 2014 and 2015, which has been all over the news, is the increasing median incomes. We're starting, just by virtue of the good economy, to close some affordability gap. However, that will not solve our affordability challenges.

- **Marshall:** Before you leave that, the yellow, it says medium housing cost.

- **Jones:** The yellow solid line is the median owner costs, and the dotted orange line is the median housing. So this, together, is rent and owner, the dotted. There are far more single-family owned properties in Virginia. That's why when you add them both together it's skewed toward the ownership.

- **Marshall:** That number, you looked at just data of what the houses sold for.

- **Jones:** No. Actually, this is individual residents' housing costs. In the case of owners, this is your mortgage, insurance, taxes, and utilities. So, individual owner's housing costs.

- **Marshall:** If you are already homeowner, what does it cost to keep that house? It's not for the person who's buying the house.

- **Jones:** No. If you were to currently take a snapshot, everybody who owns, everybody who rents, what are their housing costs looking like? That's what is reflected here.

- **Marshall:** Thank you.

- **Jones:** Virginia's challenges that we have, still relatively stagnant incomes. We don't see an overall increase in incomes over this 10-year period. We have relatively high rents. Again, over the 10-year period is an increase in rents. And as I'll get to in the rest of the presentation, we have very diverse regional experiences. So, that graph does not look the same throughout the Virginia. Go ahead.

- **Stanley:** And, so again, the relatively high rents, I know there was a formula when you are buying a house that you wanted your payment to be a percentage of your income. For the high rents, did you look at what percent of the income is going to rent?

- **Jones:** Yes. We have been looking at that. I will say we should wait to speak to that until the rest of the study comes out because I need a very detailed graph to really discuss that in depth.

- **Stanley:** When that study comes out, can you break that down by geographic region?

- **Jones:** We can and we are. We are trying to do as much of our analysis as possible at the municipality level: county or independent city. Then there are some analyses that we cannot do except at the regional level because of data availability. And there's quite a bit of analysis that we'll do at the MSA level because that really is the housing market. And so we do that because we want to talk about *a* market instead of just a municipality.

- **Stanley:** Thank you.

- **Jones:** The good news is that we see rising incomes. Again, this is not true everywhere, notably in the Richmond area. The affordability of homeownership, really affordability of housing for about a third of the population is not improving.

  - Here is that idea of how much you should be paying for housing. Households who are cost-burdened pay 30 percent or more of their income for housing. Yes?

- **Marshall:** Define "cost-burdened."

- **Jones:** Yes, I'm just getting ready to. Thank you. HUD says that if you are cost-burdened, you may be making choices between housing and other necessities. So think about housing and medical care, housing and food, housing and educational opportunities. I recently read a study that the moment that you start paying less than 30 percent of your income for housing is the moment you begin investing in child enrichment. So when we're thinking about folks paying more than 30 percent of their income for housing, we are thinking about tough choices.

  - In front of you, you see over time, over a 10-year period again. Go ahead.

- **Marshall:** Again, I hate to dominate, but that number in Fairfax County has got to be a lot different than it is in Danville.

- **Jones:** It sure is. This is for the state and it sort of represents the middle. We have some areas that have many more cost-burdened residents than others. Over time, again, in the aftermath of the recession and the bubble burst, you see this housing cost burden or the percent of households who are cost-burdened go to the highest it's been in Virginia. Yes?

- **Stanley:** Just a quick follow-up on that. The numbers here are aggregated for the state, but they represent that the regions are different with respect to what is the threshold for cost-burden. Correct?

- **Jones:** This is kind of in the middle, I would say. You'll see specific regions in later slides, some that have far more cost burden nearing or over 40 percent of their population. Again, making those tough choices between housing and other needs. And then there are some regions with lower levels of cost burden. And I often caution people that we'll never get rid of cost burden completely because some cost burden is temporary. If you think of some folks trying to get into a market, find a job, some of those people are cost burdened, and they recognize that their earnings will allow them to get out of it.

    - However, as we've been looking at the regional employment dynamics, we're seeing that some people, even in the end of their careers, so earnings in the 90th percentile for their industry, cannot afford the median rent. They can't afford the median rent even if they double up with someone making the same earnings. Often these are folks in some of the largest industries by employment. For a large number of people, this situation is somewhat permanent.

- **Stanley:** Just to follow up to make sure I'm clear. For the almost one million people who are cost burdened, some of those people in that one million are going to be earning $30,000 in one neck of the woods versus [$]80,000 in another neck of the woods?

- **Jones:** Yes.

- **Stanley:** So those people are all going to have different thresholds depending on where they live?

- **Jones:** Absolutely. That's why it's so important to do this regional analysis.

    - Also note from this graph that the number of households in Virginia is growing. That's why you see 31 percent in 2005 and 31 percent in 2015, but the bar in 2015 represents far many more households.

    - Again, looking at the importance of regional analysis, here you have a different story than you saw at the overall state in Virginia Beach, Norfolk, Newport News. You see that the impact of the recession on median wages, median incomes is far more devastating in a way. But their housing costs have gone down in a steeper sort of trajectory, possibly somewhat supplementing that. However, on the next slide, again, it hasn't solved the problem. So 38 percent of households in this MSA are cost burdened. That's the highest in the state. And it's the 37th most cost burdened in the country. So out of 381 MSAs in Virginia, the—yes? In the country, sorry. In country.

- **Marshall:** Is it because there are so many military there? Is that the reason?

- **Jones:** No, that is not the reason. In fact, the military households are generally not cost burdened, is what we're seeing. We talked to the folks in the Hampton Roads PDC and got some ideas of what might be impacting this dynamic. Schools seem to be a really important factor, so we heard a lot about the quality of schools being very different in Virginia Beach and Chesapeake from the other municipalities in the PDC, and that folks are willing to accept cost-burden in order to get their kids into what they believe to be a higher opportunity area. They are looking for a transportation solution. Yes.

- **Stanley:** Just to be clear. Originally, I thought that perhaps they were cost burdened because they were sending their kids to private schools. But, indeed, it's different. They're actually buying into a neighborhood that they really can't afford because of the associative quality schools.

- **Jones:** Yes. Some people on an anecdotal basis. If you think about it, you're not ever going to be cost burdened because you're paying for a private school, in this case, because cost burden is coming only from housing costs. So, you're looking at people paying more than 30 percent for just housing.

  - Again, the Hampton Roads PDC is looking for a transportation solution because they feel like they have a mismatch between affordable housing, or even desirable housing, and jobs. You find that there's a high concentration of military jobs, both in Virginia Beach and outside in Newport News. And folks choosing only to live in Virginia Beach/Chesapeake and commute down in order to have access to those schools.

  - This is the kind of story that we're starting to hear: transportation and somewhat redevelopment as a solution to these housing challenges. Again, this is in the Hampton Roads PDC region.

  - Here's another region, the Charlottesville metro. In here, you're seeing what looks like extremely good news for median incomes, that they're increasing, and that rental prices have remained fairly stable. Homeownership prices or costs have decreased significantly.

  - When we talked to folks in the Charlottesville area, so the Thomas Jefferson PDC, we found that they're dealing with multiple issues in their metro area.It's a divide between urban issues and rural issues. High housing costs in the city of Charlottesville have actually had economic development consequences. So, they've seen companies choose not to move to the Charlottesville area because of extremely high housing costs and lack of availability in the sort of more affordable areas because of land use restrictions.

  - They also mentioned the fact that companies that grow up in Charlottesville, new entrepreneurs starting businesses in Charlottesville, do not consider the Charlottesville region as a place to expand, especially into manufacturing.

They’re looking beyond the region, and beyond the state at times, to find advantageous places.

- They specifically mentioned high housing costs and inability to add housing in the Charlottesville/Albemarle area as issues that they find challenging. They are doing some targeted redevelopment to try to add housing and try to bring that affordability issue under control.

- **Male:** Mr. Chairman. I assume that, in general, when you have areas like Charlottesville where there’s population growth occurring, that, in general, that would tend to push up housing costs. Yet this is showing that they’re just below the state average in terms of people who are cost burdened. And the irony is—and you talked earlier about the Hampton Roads area where there is very little population growth.

- **Jones:** When you look at the Hampton Roads area as a whole, influenced by some of the rural areas and some of the areas that have become less desirable for folks to move to, you may see sort of less population growth. But when you look at places like Chesapeake and Virginia Beach, you see quite stable and increase in population growth, and really beginning to see extremely low vacancy rates that indicate that housing is a major constraint.

  - We hear anecdotes, but it’s not always exactly what meets the eye. Housing costs could be driven up by this sort of constriction of the housing market. Whereas in Charlottesville, you have a rural area that—especially if you look at housing starts in say Green County—they have room to grow, and there’s a little bit less pressure. Does that make sense?

- **Male:** Somewhat, anyway. In the Hampton Roads area, you have moderate population growth in Chesapeake and Virginia Beach and actually a little higher in James City County and part of York County, and a little bit in Suffolk too. But the aggregate over the region is very slow population growth.

- **Jones:** We are right now doing a housing needs assessment for the Virginia Beach area, outside of this study. While Virginia Beach’s population growth over the past 20 years has sort of plateaued, in the recent 10 years, it’s actually shown sustained increasing population growth. At the same time, there’s not been much housing added. So again, you’re getting this constriction there that may not be the same story as in Charlottesville, for example.

  - Here, you’re looking at the Lynchburg metro area. Again, one of those areas, like I mentioned Richmond, that hasn’t experienced the recent good news in increase in median incomes. There is a little increase here, but mostly they’re still dealing with impacts following the recession. When we talked to folks in the Lynchburg area, they described their market as slower to respond to economic events as compared to the rest of the state. You also see an increase in rental prices and not the same magnitude of dip for the housing costs. Again, this would also indicate that they're a little bit maybe slow to respond to recessionary effects or economic events compared to the rest of the state.

  - About 27 percent of households are cost burdened in this MSA, and it's among the lowest for the state and mid-to-low for the country. If you compare Virginia to the country in terms of MSAs, we are relatively cost burdened. We are not the most affordable place to live.

  - In the Region 2000 Lynchburg area, we found that housing is the biggest challenge for very low-income households. Where cost burden is lower, it is more concentrated among very low-income households. Where you see higher levels of cost burdens, that's often where we think about cost burdens have expanded into moderate income, up to 120 percent of AMI. But where you see these low levels of housing cost burden, it is primarily concentrated among the mid-to-low-income households.

  - As we've been working, we found that housing for very low-income folks and housing for moderate-income folks is very connected. People would prefer not to pay 30 percent of their income for housing. If they can get by with less, they're going to. And those higher-income households compete more effectively for the housing units that are on the ground, so they get first dibs, in a way. And depending on what your housing market looks like, that could leave basically substandard housing for lower-income groups. So they're very connected. And I should note that you cannot really address them separately.

- **Marshall:** Can I ask that the next time you do this update if you could include the unemployment rate for the region?

- **Jones:** Sure, yes.

- **Marshall:** It might be interesting.

- **Jones:** Yes, definitely.

- **Marshall:** One other thing: average household income.

- **Jones:** Yes, absolutely.

  - The Region 2000 PDC mentioned, as we heard in a number of PDCs, that housing is an opportunity for redevelopment and revitalization. They talked about the importance of the historic tax credit in their area and the opportunity to redevelop old warehouses as housing options in more urban areas with amenities in close proximity with specific ideas of attracting either active aging adults or millennials.

  - I also want to note, as you guys asked before, we are taking a very close look at the millennial generation. This is the biggest generation that we've had. It far outweighs the baby boomer generation, and it's very important to understand their housing preferences. We are taking a look both nationally about housing preferences among millennials and in Virginia at how millennials are acting. We are getting into a great time to look at millennials because the oldest millennials are beginning to become the core of the housing market and are starting families and things like that. So we're taking a very close look at the Millennial Generation. Go ahead.

- **Stanley:** So building off that, because I think one of the themes we've had throughout a lot of the presentations is the difference in housing preferences by millennials. I'm a Gen Xer, and the idea was always to own your own single-family home. And we're starting to see that change. So earlier on, we had seen the economic impacts of housing in Virginia. I'm wondering, have you looked at what the impacts will be based on future trends if we continue this same way? I'm thinking we're not going to get millennials to suddenly decide they want the single-family home as opposed to a condo or an apartment in a downtown area. So what are the impacts on our economy and how do we plan for those impacts?

- **Jones:** Right. One thing I want to caution is that we often think of millennials only seeking to live in this urban area. And when we say *urban,* we mean big urban areas—so DC metro. But that's a myth. About 40 percent of millennials actually don't want to live in an urban setting. They would like to move to a more suburban or rural setting.

    - So it's important to make that distinction, that the older these millennials get, the more we're learning about them, and the more we're starting to dispel the myths that we created when they were very young. That said, they do, generally, have different housing preferences for different types of housing, for different locations of housing, and the time they want to spent, and the importance of housing to them.

    - So we are looking at how those changes are likely to impact the housing industry in a very general way. If we determine—and that's with our stakeholders in that Housing Policy Advisory Committee and our staff stakeholders from VHDA and DHCD—that that isn't such an important trend that we need to look at it, exactly how it's going to affect the economic impact in 2030, then we will take that on as one of our scenarios. So again, that would be the third part of the study. Go ahead.

- **Stanley:** Quick follow-up. To what degree or how much are you communicating with the industry, and I'm thinking with Mike Tolson. The challenge with housing, as we were talking earlier, is that it's cyclical. So you're making these investments, and you'll do speculation. Things won't pan out, and then they'll drop off. I guess what I'd hate to see happen is that housing preferences continue to change, and we don't change the way that we do development, and then we wind up in a pickle. So is there a mechanism for you all to be communicating on a regular basis—okay. But that's stuff that you are integrating into how you're investing and you're developing your marketplace. Okay.

- **Jones:** We're trying our very best to engage builders and developers as much as we can as part of this work to be an information source for them. But it's also so important to talk to essentially the economic agents that are part of this industry in order to inform our analysis of the data, our interpretation of the data. We're learning a lot from them and vice versa. Yes, absolutely.

- **Marshall:** Any further questions? Thank you for being here.

- **Jones:** You're welcome

- **Marshall:** Bill, do you have any wrap-up?

- **Shelton:** Mr. Chairman, I think we are very much interested in building our investments. Our economy is moving in directions that we want it to move faster. But as we invest—these are housing investments. So, what we want to make sure of as we align the resources that we do have, is that we're doing it in the most thoughtful way. This study is beginning to inform that. We're moving in directions, and we want to be as effective as we can be. I think what you should also take away from this is that, as you've already pointed out, there is not a one-size-fits-all solution. The Virginia solutions are going to respond to specific market needs there, and we need to be responsive in all areas of the Commonwealth to meet the needs.
    - We'd be happy to come back in the future as this unfolds. It looks like maybe in the spring would be a good time to come back and give you more complete info.

- **Marshall:** Okay. Thank you for being here today.

- **Shelton:** Absolutely.

- **Marshall:** We're going to now go to reports from the work group. We're going to start with Delegate Bulova with the Common Interest Communities. And, David, if you'll give us an update on the work you all have done.

III. Reports from Work Groups

- **Delegate David Bulova**, *Common Interest Communities*: Thank you. I'll keep this relatively brief.
    - We met on July 21st. We had two bills that we were dealing with, and we also got a really good update from Trish Henshaw on the work of the Common Interest Community Board and some of the things that they're working on.
    - The two bills that we had, one was Senator Chap Peterson's bill dealing with home-based business and property owners' associations. The bill that he had put in really looked at prohibiting HOAs from being able to say No, you can't have a home-based business within your residence. That kind of morphed into a

discussion about home-based childcare and whether that is a business or not. So that's kind of how it ultimately came out to us.

- I think what Senator Peterson was ultimately looking for was a way to say that a homeowners association couldn't prohibit a home-based daycare unless their declaration specifically said that they could do that. Of course, most declarations are much more general than that and talk about businesses. They don't get as specific as about a home-based daycare. And so I think we thought that was problematic.

- Now, there was a lot of really, really good discussion that went back and forth. I think one of the potential solutions that was thrown out there is making sure that the way that an HOA defines a home-based business versus a residential ancillary use, that that matches up with what the locality says. And so I think there were some instances out there where a locality was saying Hey, this is a residential ancillary use. And the HOA would say Hey, no, we think this is a business and we should be able regulate or not allow it. And so I think that was kind of a narrow potential path forward to say If the locality defines it as residential, then the HOA should define is as residential and how do we do that?

- Ultimately, though, we did not come up with any particular recommendation. I think Senator Peterson left with some good ideas that he would cogitate on, but I don't think that this is something that the Common Interest Communities work group is going to be coming up with a recommendation on. It was really just a good conversation. And Senator Peterson will go back to the drawing board and then likely introduce something for next session.

- The other one is a little bit more promising. That's Delegate Watts. This one deals with the fees for disclosure packets for new people who are moving into a neighborhood.

- When we set this system up or the last time we dealt with this system, we actually made a distinction between a self-managed association versus a professionally managed association with regard to what kind of fees could be collected. It was a little broad the way that we put that together in that, primarily, when you think about a self-managed association, you're thinking about something that's a cluster of 10, 20, 30 homes as opposed to what we are now realizing: that there are self-managed associations that have hundreds of homes and really take on a lot of the functions that a large association would have.

- I know Chip Dicks is working with a patron to come up with a way to be able to marry those interests. At least from the last time I talked with him, he felt reasonably confident that we might be able to come up with some kind of compromised legislation that would move forward.

- It will require another meeting of the work group. I don't think it's any more than about a half-hour conversation. What I'm hoping will happen is that we can dovetail that in with one or another work group that would be meeting on the same day. That's it.

- **Marshall:** Any questions of Delegate Bulova? Thank you, sir. Let's move on now to Senator Locke and her work group. Thank you.

- **Senator Mamie Locke**, *Neighborhood Transitions/Housing and The Environment*: Thank you, Mr. Chairman.

  - The Neighborhood Transitions and Residential Land Use and Housing Environmental Standards work groups had a joint meeting in August. We had four issues that were covered. The first dealt with recordation of deeds and liens, and I believe this was your legislation, Mr. Chairman. We had Corey Wolfe , the assistant city attorney for Danville, speak to this issue. Chip Dicks also spoke to this dealing with legislation for a pilot program in Danville. Chip, do you want to speak to this now? We know that we will have to have a second meeting because there are three issues that are still outstanding for this work group.

- **Chip Dicks:** Mr. Chairman, members of the Commission. Where we are is that Whitt Clement and Rob Bohannon and I are continuing to work on language. We're about 80 percent there. I think by the time we have our next meeting, we'll have an agreement. I've met with the clerk's association, and they are willing to stand down based upon the compromised language. I've talked to the clerk of Danville, and he's prepared to participate. I believe the City is prepared to participate on the terms and conditions that we've worked out. I think it's an evolving process, and we're very close. Hopefully we'll be able to report something back at your next meeting.

- **Marshall:** Any questions of Chip? Thank you.

- **Dicks:** Thank you, sir.

- **Locke:** The second issue is a bit more complicated. This was legislation that I brought forward that was a part of the legislative package for the City of Portsmouth. It deals with historic districts that are not within a homeowners association. Sherri Neil for the City of Portsmouth and two representatives who live in a historic district spoke to this issue. As a result of what we heard, we formed a sub-work group that has had one meeting. They are going to be meeting again soon. Mark Flynn and Chip are also a part of that sub-work group that's meeting to try to resolve this particular issue. I know that you are guys are meeting again relatively soon on this matter.

- **Dicks:** Yes, ma'am. And what we've done is Mark and I have talked about concepts of language. The agreement was that we would work on language and then share it with the broader work group and see if we could resolve that issue.

- **Locke:** Okay. The third issue dealt with groundcover and proximity to buildings. Cindy Davis from the state Building Codes Office spoke to this issue. The work group basically decided that this is best handled by the building codes process. So that's where we left it.

- The fourth was dealing with recycling programs for multifamily dwellings. This was a bill that was brought by Senator Ebbin. Brian Gordon from the Apartment and Office Building Association spoke to this. Currently, there's a study being conducted by VML and VACO to determine how many localities recycle at apartment complexes and require recycling to get some additional information on this. They will bring it back to the work group so that we can determine how best to move forward on this issue.

- We will be having a second meeting of the work group on the three remaining issues in our group.

- **Marshall:** Are there any questions from the committee of Senator Locke? Thank you. Delegate Peace could not be with us today, so Senator, you'll give us report on the progress, all the slings and arrows.

- **Senator**: Well, it has been entertaining. We've had, to say the least, very lively meetings of the work group on this particular issue. We've had three meetings so far. I'm doing Airbnb. They've been lengthy meetings, so they've gone multiple hours. Maybe it just seemed like they were interminable. But they've gone beyond two hours. We had a lot of different presentations at each of the meetings. We have a large number of people who are attending those, so actually we've been meeting over in the Capitol. I guess it's in House Room 3 there for those meetings.

  - I think the first meeting or two, we had a good bit of difference of opinion from different individuals and entities that were speaking, from some of the neighbors who have objected to some of the Airbnb properties to some of the localities that have been concerned about the number of units that are out there that are not paying their taxes and other types of things. We've also had presentations from the Airbnb people and from a number of others related to the industry and why some of the individuals who are participating in that are doing so.

  - Thus far, it's been mostly an information-gathering process, but I think we are moving at least closer together in terms of how we might be able to do it if we move forward on this. Hopefully, there will be some consensus on proposals coming forward before we get to the end of the year so that legislation presumably could be considered during the legislative session starting in January.

  - There have also been some stakeholders who have been meeting and trying to work on differences and see where they might be able to come up with compromise on things that would not necessarily have us in the middle on everything.

  - We're going to continue, but it certainly has been a lively group.

- **Marshall:** Any questions on Airbnb? Okay, Elizabeth, would you want to go through the rest of the affordable housing?

- **Elizabeth Palen:** Affordable Housing met on July 14th, and we took up several topics. The first one was concerning companion animals and rental property. We heard from five different speakers; Bismah from the Apartment and Office Building Association gave us a presentation about how she obtained a fraudulent document saying she was in need of a companion animal. Based on all that information, we put together a sub-work group, which has met once. We looked at a bill draft and also an opinion from the AG's office. We will meet again to solidify the draft and look forward to having some legislation on that issue for the full Commission to review.

  - We also looked at a bill from Roxanne Robinson about real estate disclosures. It was disclosures about septic system cleanouts and some other issues. She came to speak to the Commission. Basically, what she wanted was incorporated into some legislation from last session, so we don't see it as likely that there's any legislation forthcoming on that issue.

  - The third issue we took up was the impact of tenant bankruptcies on landlords. It was an issue Senator DeSteph brought to us. He outlined where in his district landlords were being left on the hook when tenants went bankrupt. We had a good discussion about federal bankruptcy law and did some further research. We think the consensus of the group was that federal law needs to be followed, and there's not likely to be legislation on that issue, either.

  - We will meet again on the companion animal issue and maybe hold a joint meeting with other work groups just to go over that legislation.

- **Marshall:** Do we have any questions of Elizabeth on the affordable housing subgroup?

  - Okay. Our next full meeting is scheduled for December 14 at 10 a.m. In the past, we have had a November meeting. We're not planning on having a full November meeting. What I ask of the work groups is that if you have legislation that you want to be presented before the December 14 meeting, please get that to Elizabeth. What I ask of you is I'd like to send all of that out by e-mail to all the members here so that we can take that up, and you'll at least know what you're going to look at before you get here. Any thoughts about that? Hearing none.

  - Again, that's December 14. It's scheduled for 10 a.m., but if we need to move it to 1 p.m., we could do that. So if some of the work groups wanted to meet that morning, we could also do that.

  - Any questions or comments before we break here? It's time for public comment.

IV. Public Comment and Adjournment

- **Mike Tolson:** I'm Mike Tolson with the Homebuilding Association of Virginia. I just want to thank Secretary Jones and I'm sure Secretary Haymore, I'm sure, for continuing this study. I want to thank Director Shelton and VHDA Director Dewey for following through with this.

  - I just think it's absolutely critical for people to understand the economic value of housing in Virginia. Somehow, over the years during that growth period it kind of took on a negative connotation. We knew how many jobs we were creating. We knew that every time a single home was built that there were 40 to 50 local contractors on the job, and its acquisition, financing, and construction.

  - I wanted to express to them how much I appreciate that. It appears to me they're drilling down and are going to get some real answers for some really difficult questions that are out there for all of us. So thank you.

- **Marshall:** Thank you. Anyone else want to tell us how the world should be? All right, hearing none, thank you for being here today.

- Hearing no further comment, the meeting was adjourned at 12:15 P.M.